

Dr Nic Lees

Programme Director Agribusiness and Food Marketing Programme



Value Adding and Innovation in Agri-food Value Chains

Understanding how products meet market needs through coordinated innovation

AGRIBUSINESS IN SCHOOLS – SOUTH ISLAND CONFERENCE

The Core Idea

Value is created when a product is changed in a way the market recognises.

Value adding is **not** simply "doing more" to a product.

It is creating a benefit that customers, retailers, or other market actors are willing to recognise — and pay for.



What Does the Market Recognise?

Price

Taste – Eating experience

Quality

Convenience

Safety

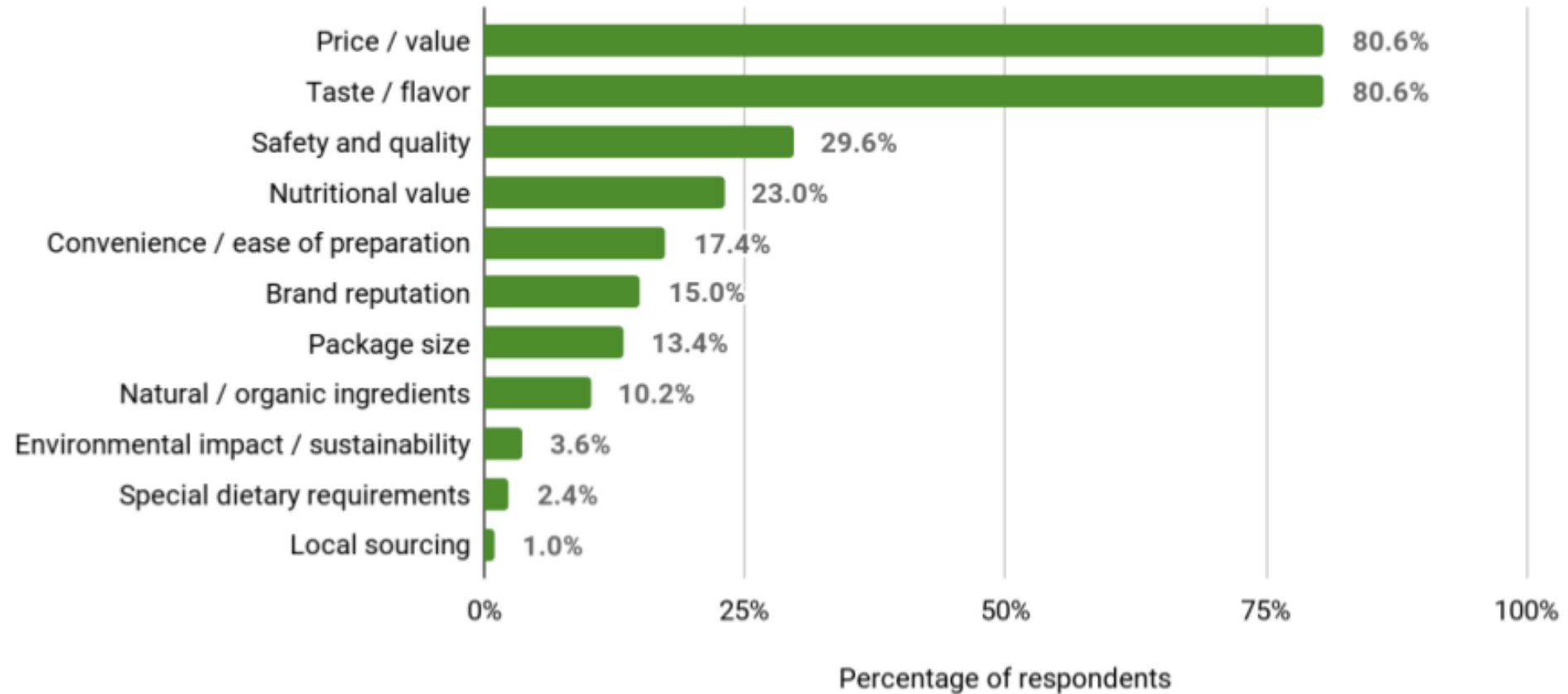
Freshness

Identity



What matters most to you when making food and beverage purchase decisions?

Respondents could select up to three.





The Practical Question

What changes in the value chain
create benefits the market values?

Value Added — or Just Added Cost?

A value-chain activity only adds value when the market recognises the benefit and is willing to pay more.

Customer-recognised benefit

– Extra cost to deliver it

= Value added



Adding Cost vs Adding Value

Adding Cost

- More inputs, handling, processing or packaging
- Higher production or supply-chain cost
- No clear market-recognised benefit
- Risk: margin is reduced

Adding Value

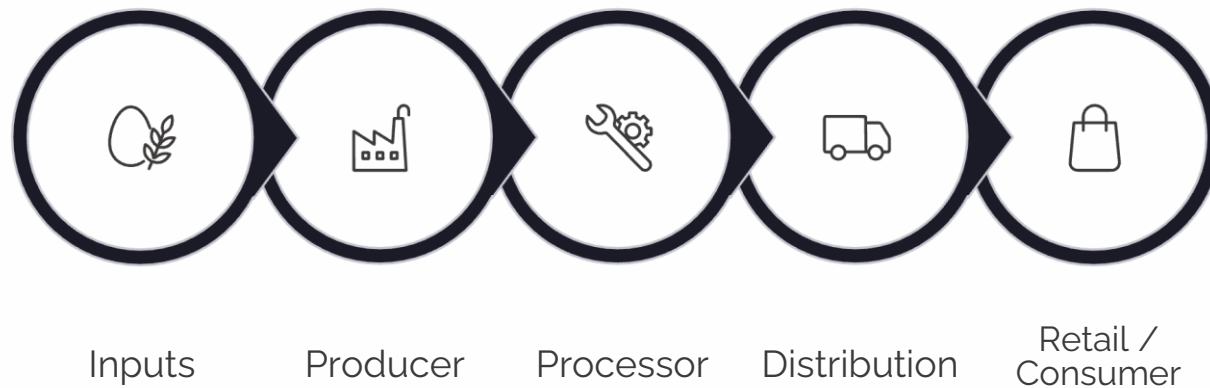
- A change the market cares about
- Creates freshness, quality, trust, convenience or identity
- Supports access, loyalty, premium or lower risk
- Requires consistent delivery across the chain

📄 Core question: does the change increase willingness to buy or pay enough to justify the extra cost?



From Supply Chain to Value Chain

A supply chain moves product. A value chain explains **where value is created**.

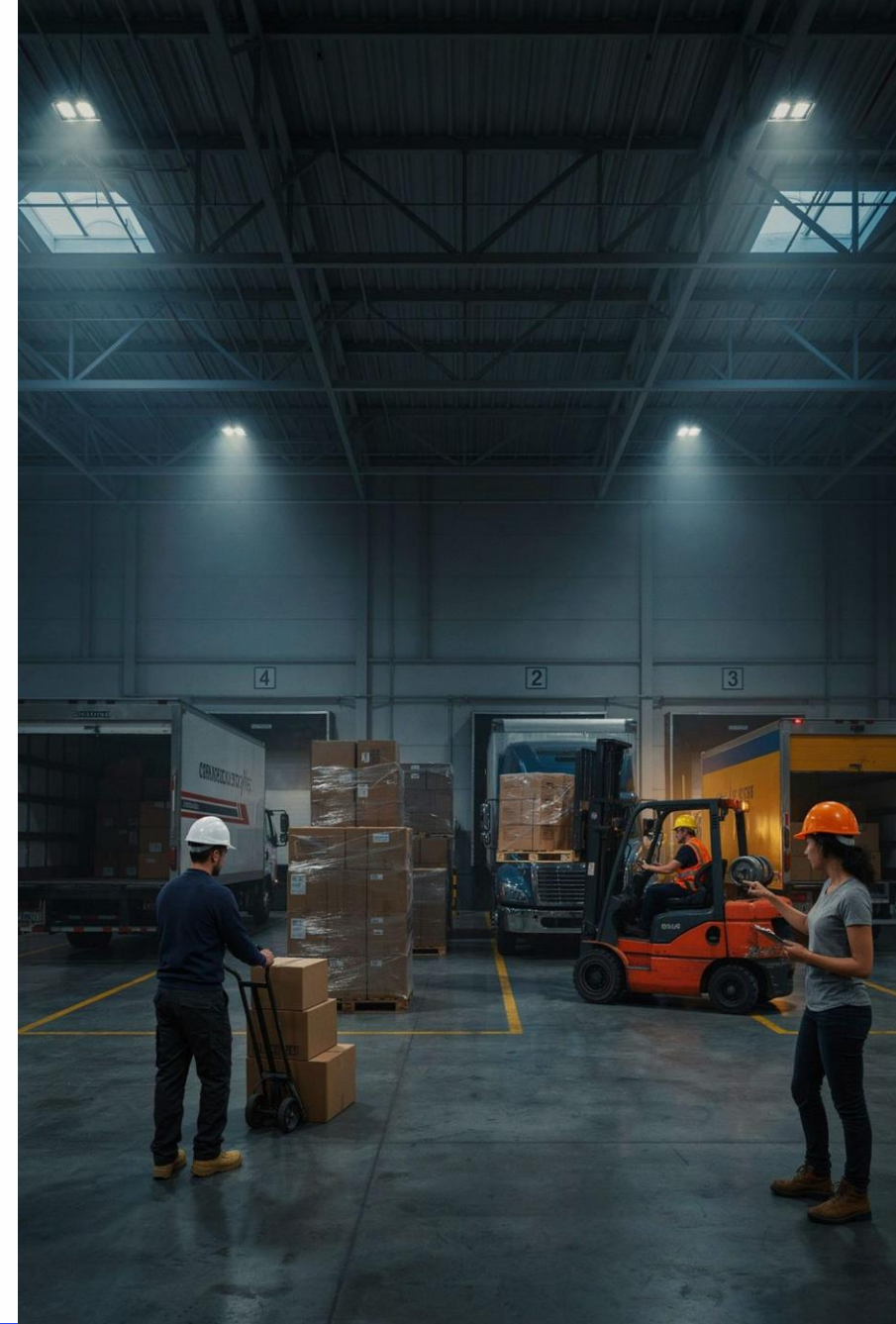


Supply chain

Where does it go?

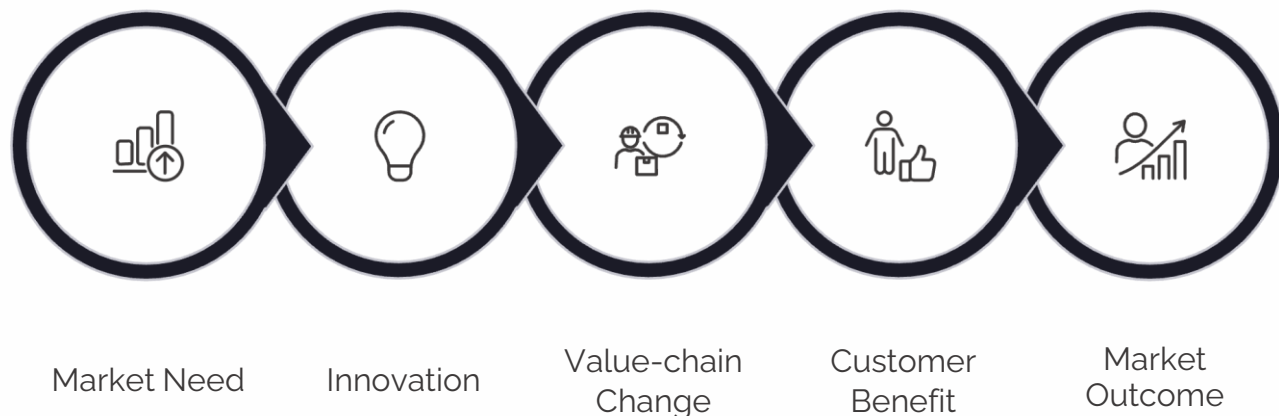
Value chain

What happens that makes it more valuable?



A Simple Analytical Lens

Use the same logic for lamb, kiwifruit, apples, dairy, honey or salmon.



Innovation matters when it connects back to a real market need and forward to a customer benefit. Always apply the cost test.





Illustration Product: Chilled New Zealand Lamb

The Product Is More Than Lamb



Farm System

Grass-fed, animal welfare, breed genetics



Processing + Packaging

Grading, cutting, vacuum packing, cold chain



Premium Retail / Food Service

NZ provenance story, trust, consistency

□ The product is not just "lamb" — it is chilled lamb with attributes that must be delivered consistently across the chain.

Market Needs Come First

The market is not just a destination — it shapes what the value chain must deliver.

Freshness

Cold-chain discipline end to end

Eating Quality

Grading, ageing, cut consistency

Trust

Traceability and assurance

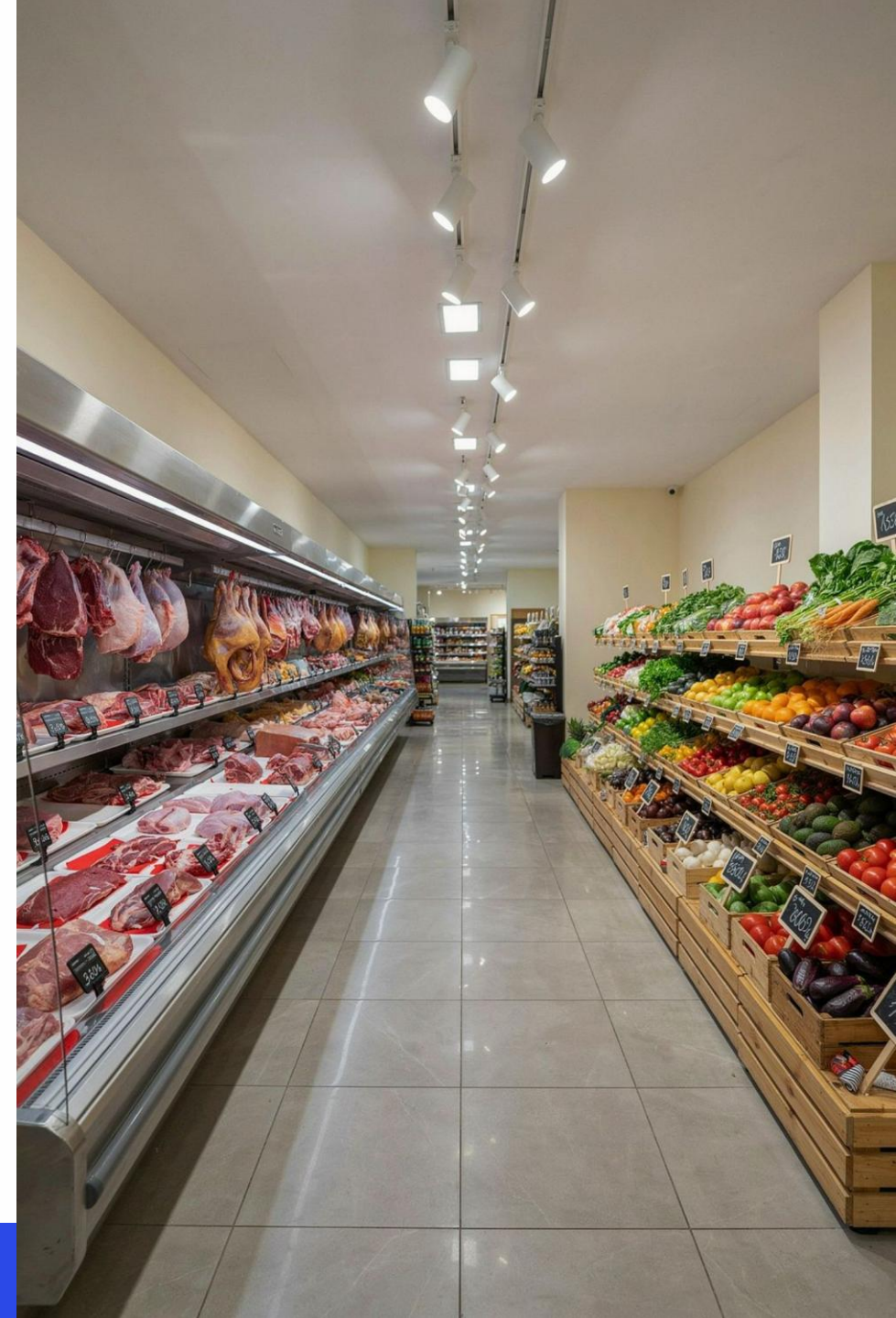
Convenience

Portion-ready formats

Identity

NZ provenance and story

A market need becomes important when it changes what must happen upstream.



Value is created Across the Value Chain

Innovation is not limited to a new product or a machine — it spans every stage.

Production

Genetics, feed, animal health

Processing

Grading, cutting, vacuum packing

Logistics

Temperature control, tracking, shipping

Information

Traceability, certification, claims

Marketing

Brand, provenance, occasion



Chilled Supply: Freshness Is a System



Market Need

Fresh, premium product in distant markets

Innovation

Extended chilled storage + integrated cold chain

Value-Chain Change

Packing, temperature control, logistics coordination

Customer Benefit

Quality product available far from source

- ❏ The innovation is the coordinated system – not any single step.

Provenance and Assurance

Credence attributes

"New Zealand", "grass-fed",
"animal welfare" and
"traceable" — these cannot be
seen in the product.



They create value only if the chain can **produce, preserve and communicate** the claim.



Farm Practice

Segregation

Data Capture

Certification

Retail Story

Convenience: Reducing the Customer's Work



Portion-ready cuts, consistent sizing, packaging and recipes

Work shifts from the kitchen to the value chain.

The customer buys **time, confidence and reduced preparation risk** — not only meat.

Customer effort ↓

Reliability ↑

Value Creation vs Value Capture

A product can create value for consumers without all of that value returning to producers.

Value Creation

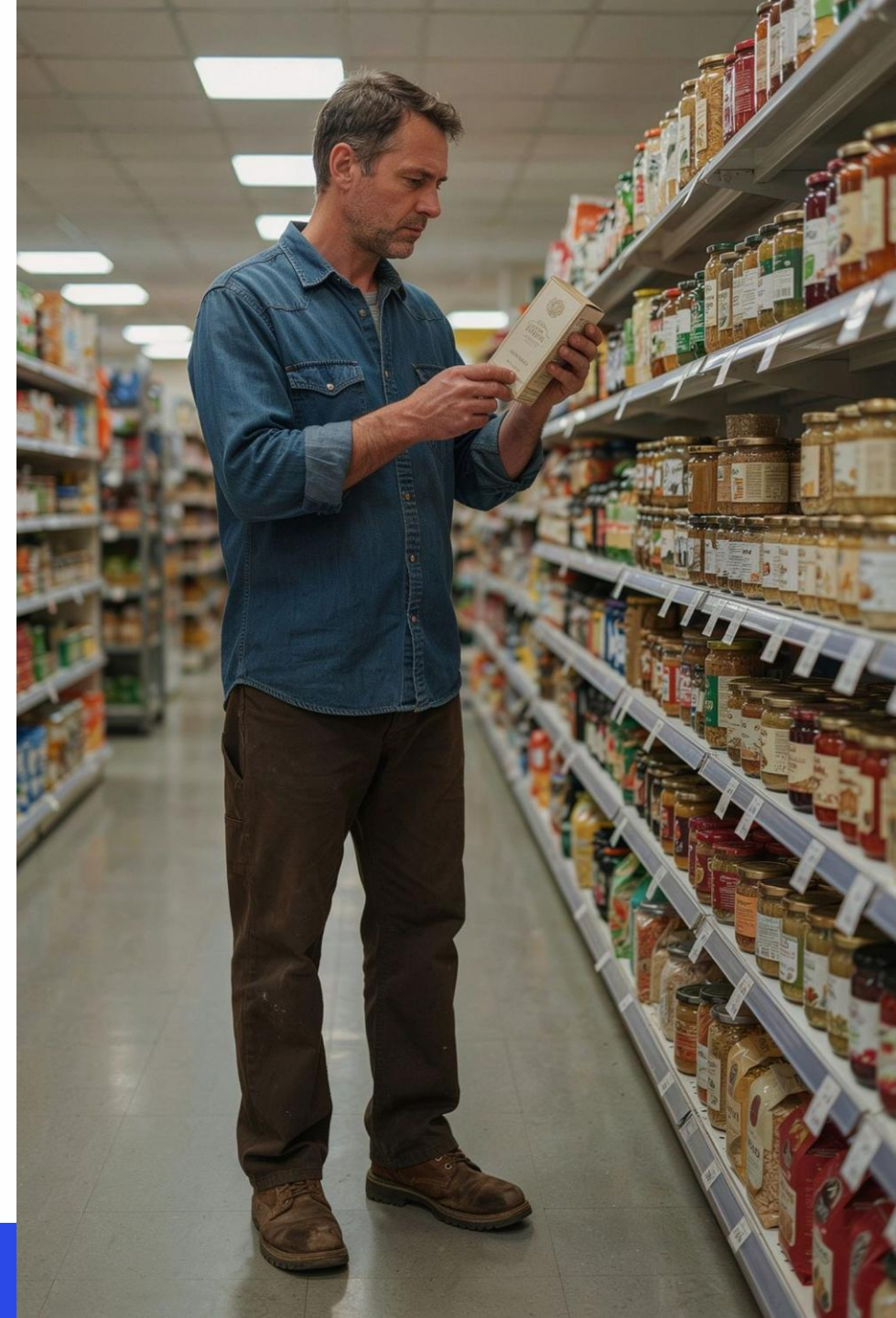
Customer benefit: quality, trust, convenience, identity

Value Capture

Who receives the returns?

- Farmer
- Processor
- Brand owner
- Retailer

□ Value adding asks two questions: What value is created? Who has the power to capture it?



Evidence and Trade-offs

Innovation should be assessed — not assumed to be successful.

Evidence it works

- Price premiums
- New market access
- Retailer adoption
- Sales growth
- Reduced waste
- Repeat purchasing

Trade-offs to consider

- Higher cost
- More complexity
- Capital required
- Certification burden
- Risk of weak claims
- Uneven value capture

The strongest analysis explains both why the innovation creates value and what limits its impact.



The Framework Transfers Across Products

Different products. Same analytical logic.



Kiwifruit

Variety, grading, brand, cool chain



Apples

Variety, storage, packaging, export



Salmon

Freshness, sustainability, premium service



Dairy

Processing, nutrition, format, trust



Honey

Testing, certification, provenance

The product changes; the analytical question does not.



Kiwifruit: Value Added or Just Added Cost?

Every activity adds cost – but only some create value the market recognises.

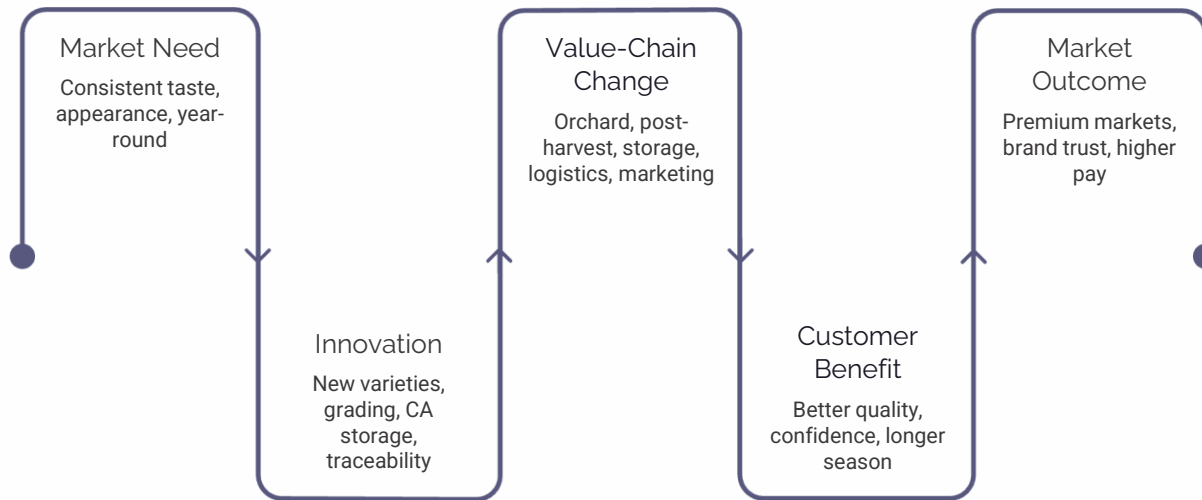
Change in the chain	Cost?	Value ?	Why it matters
Extra handling with no quality improvement	Yes	No	Cost rises; consumer sees no extra benefit
Better grading and quality control	Yes	Yes	More consistent fruit, fewer disappointing purchases
Controlled-atmosphere storage	Yes	Yes	Extends selling season; supports reliable supply
Improved packaging	Yes	Maybe	Adds value only if it protects fruit or improves convenience
Traceability and food-safety assurance	Yes	Maybe / Yes	Valuable when buyers care about provenance and trust
Expensive packaging with no customer benefit	Yes	No	Classic case of adding cost rather than adding value

❏ Core question: does the extra activity make the kiwifruit more valuable to the customer, or simply more expensive to produce?

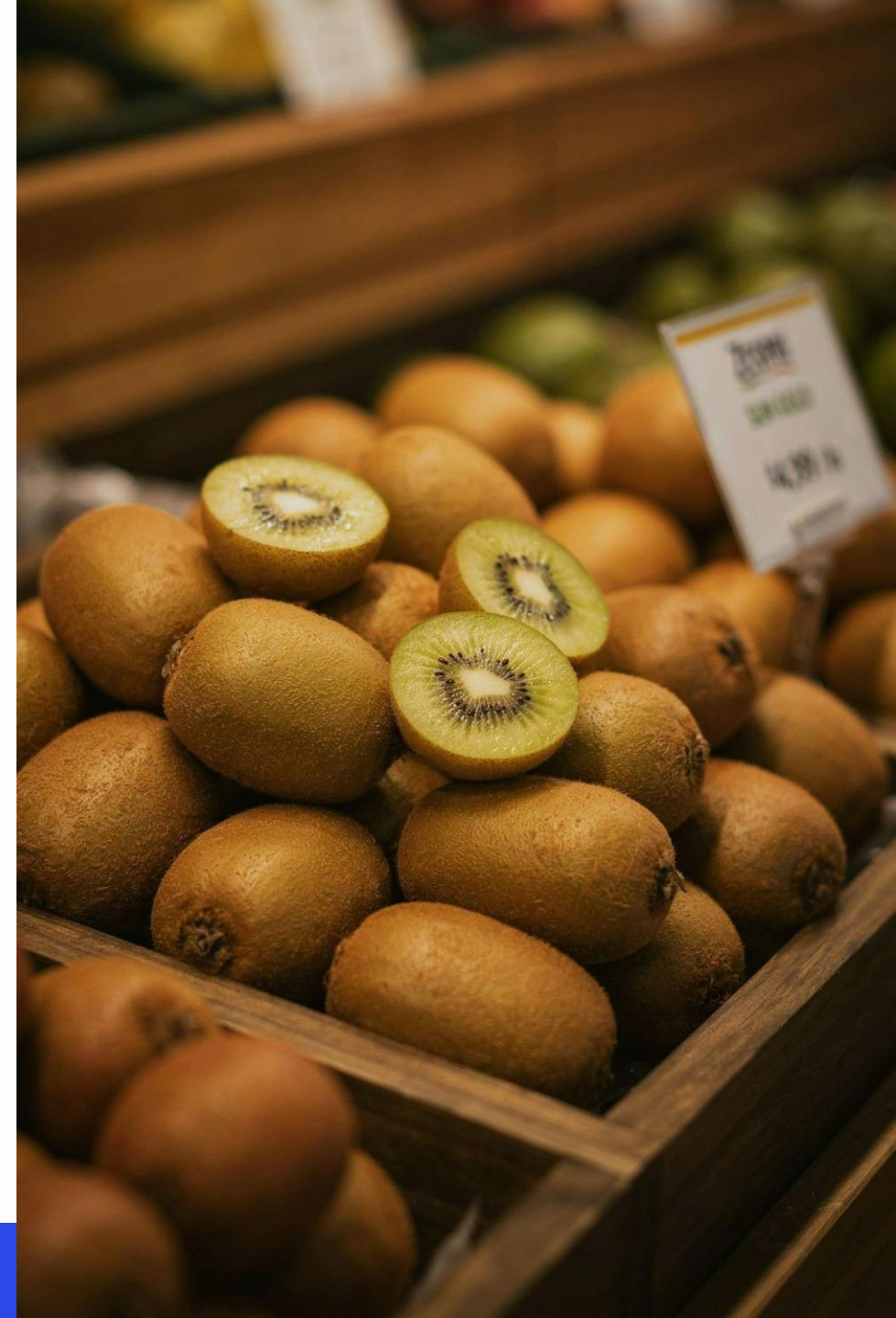


Kiwifruit: How Innovation Creates Value

A worked example showing the full "because" chain.



- Teaching insight: innovation is not just a new product – variety, post-harvest systems, storage, logistics, branding and assurance all count, but only when the market values the result.



Take-away Concept Map

Use this as the mental model for value adding and innovation.

01

Market Need

What does the market require?

02

Innovation

What change is made in the chain?

03

Value-chain Change

What must happen differently upstream?

04

Customer Benefit

What does the market receive and recognise?

05

Evidence + Trade-off

Does the benefit outweigh the extra cost?





Start with the Market.

Then trace backwards through the value chain to see how innovation creates the value customers recognise.



Bachelor of Agribusiness and Food Marketing

Dr Nic Lees

Programme Director:

Agribusiness and Food Marketing



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Harriet Watson
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ANZCO Foods
Harriet.Watson@anzcofoods.com



Bachelor of Agribusiness and Food Marketing (2020)